FINANCIAL SECTION

CONTENTS

For purposes of presentation, in this annual report, all amounts less than one billion yen or one million yen have been rounded down, and hundredths of a percentage point have been rounded to the nearest whole number.

In addition, all graphs and tables represent fiscal years ended March 31 of the respective years.

TWELVE-YEAR SUMMARY
Years ended March 31

Millions of yen, except per share amounts

	2011	2010	2009	2008	2007
For the Years					
Net sales (Notes) 1, 5	**¥ 1,535,242**	¥ 1,415,718	¥ 1,660,162	¥ 1,487,496	¥ 1,376,958
City gas sales	**1,137,077**	1,046,166			
Gas appliances and installation work	**177,472**	169,784			
Other energies	**221,292**	157,297			
Real estate	**32,797**	32,784			
Other	**162,302**	161,690			
Gas sales			1,257,574	1,087,044	999,521
Gas appliance sales			122,363	132,236	135,407
Installation work			49,094	57,325	59,229
Real estate rental			35,637	35,169	34,034
Other business			363,783	320,361	285,407
Operating income	**122,451**	85,229	65,204	70,048	162,315
Net income	**95,467**	53,781	41,708	42,487	100,699
Comprehensive income	**80,440**	—	—	—	—
Depreciation*	**149,336**	146,117	141,083	142,421	133,142
Capital expenditures**	**150,202**	148,186	145,929	138,006	124,556
Free cash flow (Note) 2	**94,601**	51,712	36,862	46,902	109,285
Amounts per share of common stock (Yen)					
Net income	**¥ 35.63**	¥ 19.86	¥ 15.63	¥ 15.94	¥ 37.50
Diluted net income (Note) 4	**—**	—	15.37	15.50	35.69
Net assets (Note) 3	**320.70**	301.58	284.72	289.49	293.11
Cash dividends applicable to the year	**9.00**	9.00	8.00	8.00	8.00
At Year-End					
Total assets	**¥ 1,829,661**	¥ 1,840,972	¥ 1,764,185	¥ 1,703,651	¥ 1,692,635
Interest-bearing debt	**584,169**	555,919	593,230	558,716	525,467
Total net assets	**874,094**	826,291	784,616	780,455	806,045
Total shareholders' equity	**—**	—	—	—	—
Ratios					
Operating income to net sales	**8.0%**	6.0%	3.9%	4.7%	11.8%
Net income to net sales	**6.2%**	3.8%	2.5%	2.9%	7.3%
ROE	**11.4%**	6.8%	5.4%	5.4%	13.2%
ROA	**5.2%**	3.0%	2.4%	2.5%	5.9%
Equity ratio	**46.9%**	44.2%	43.8%	45.1%	47.0%

Notes:
1 Segment sales include intersegment transactions.
2 Free cash flow = net income + depreciation* – capital expenditures**
* including amortization of long-term prepayments
** purchases of property, plant and equipment + purchases of intangible assets + long-term prepayments
3 Effective from the year ended March 31, 2007, the Company and its consolidated subsidiaries have adopted the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan (ASBJ) Statement No.5; December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No.8; December 9, 2005).
4 From the year ended March 31, 2010, diluted net income per share is not presented in the above table because there are no residual securities from the beginning of the fiscal year.
5 Effective from the year ended March 31, 2011, the Company and its consolidated subsidiaries have adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17; March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20; March 21, 2008). Segment sales for the year ended March 31, 2010, are reference values reclassified to conform to the current segment classification.

	2006	2005	2004	2003	2002	2001	2000
	¥ 1,266,501	¥ 1,190,783	¥ 1,151,824	¥ 1,127,633	¥ 1,097,589	¥ 1,086,770	¥ 992,255
	910,320	834,658	831,114	792,453	750,438	740,731	672,069
	130,825	135,108	133,873	142,635	149,203	146,516	127,916
	59,746	64,794	68,033	70,568	71,337	71,907	68,651
	34,187	34,701	35,443	36,346	37,551	37,601	37,841
	252,595	234,720	172,160	158,326	156,011	159,577	158,819
	112,345	145,349	152,287	123,294	110,607	103,659	69,233
	62,114	84,047	44,787	59,201	51,911	27,595	26,698
	—	—	—	—	—	—	—
	136,376	140,271	146,895	141,027	145,564	150,374	140,306
	119,435	107,529	107,441	111,988	105,296	111,397	124,975
	79,057	116,789	84,241	88,240	92,178	66,572	42,029
	¥ 23.48	¥ 31.47	¥ 16.44	¥ 21.18	¥ 18.47	¥ 9.82	¥ 9.50
	21.70	28.24	14.98	19.11	16.66	9.13	8.84
	270.46	244.73	221.53	208.65	200.75	196.72	172.33
	7.00	7.00	7.00	6.00	6.00	6.00	5.00

	¥ 1,693,898	¥ 1,668,734	¥ 1,666,828	¥ 1,676,064	¥ 1,702,712	¥ 1,797,669	¥ 1,805,086
	559,911	624,105	682,744	731,301	775,894	870,347	957,085
	—	—	—	—	—	—	—
	728,231	648,766	598,453	579,706	564,077	552,790	484,239

	8.9%	12.2%	13.2%	10.9%	10.1%	9.5%	7.0%
	4.9%	7.1%	3.9%	5.3%	4.7%	2.5%	2.7%
	9.0%	13.5%	7.6%	10.4%	9.3%	5.3%	5.9%
	3.7%	5.0%	2.7%	3.5%	3.0%	1.5%	1.5%
	43.0%	38.9%	35.9%	34.6%	33.1%	30.8%	26.8%

Summary

In the fiscal year ended March 31, 2011, gas sales volume increased 7.9% year-on-year, to 14,745 million m^3, owing to the commissioning of new power generation facilities and other factors.

The rise in gas sales volume, together with an increase in gas unit prices under the gas rate adjustment system, pushed up sales of city gas. In addition, there was an increase in electric power sales stemming from the commencement of operations at the Ohgishima Power Station. Consequently, net sales climbed 8.4%, to ¥1,535.2 billion. Operating expenses grew 6.2%, to ¥1,412.7 billion, as increases in city gas raw materials costs were partly offset by a decline in depreciation of pension actuarial difference. As a result, operating income jumped 43.7%, to ¥122.4 billion, and ordinary income rose 45.5%, to ¥121.5 billion. Net income for the year surged 77.5%, to ¥95.4 billion, boosted by ¥39.7 billion in extraordinary income from the sale of land in Toyosu.

With respect to appropriations to shareholders, the Company maintained its existing policy of a total payout ratio of 60%. This means the sum of cash dividends and share repurchases will be at least 60% of net income for the year.

Operating Environment in the Year Under Review

Macroeconomic Conditions

In the fiscal year ended March 31, 2011, the Japanese economy, despite showing signs of a turnaround on the back of economic recovery trends worldwide, remained in a difficult-to-predict state due to several factors. These included ongoing stagnation in personal consumption, the rapid appreciation of the yen, and rising crude oil prices. Reflecting this situation, demand for energy languished amid consumption restraint and contraction in corporate activities. Due to moderate economic recovery, however, the gas sales volume for general industry bottomed out after a period of decline following the collapse of Lehman Brothers, and recovered to around 90% of pre-collapse levels. The gas sales volume for power generation use also rose significantly, owing to commencement of operations at the Ohgishima Power Station and increased utilization of power generation facilities following the Great East Japan Earthquake.

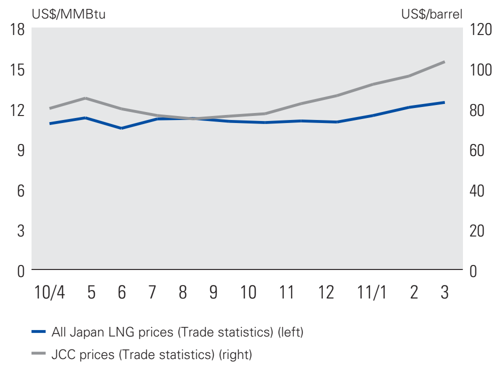
Influence of Fluctuating Oil Prices and Foreign Exchange Rates on the Company's Operations

The purchase price of LNG, which accounts for the majority of the resources used in the Group's core city gas business, is linked to the Japan Customs-cleared Crude price (hereafter JCC). Under the gas rate adjustment system, the gas resource costs for the city gas business are reflected in sales, and the Company's revenues and operating expenses are significantly influenced by fluctuations in crude oil prices.

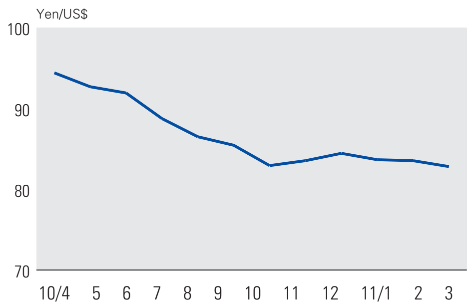
In the first half of the year under review, the JCC remained in the US\$75 to US\$79 per barrel range. In the second half, however, it rose to above US\$90 in January 2011 and above US\$100 in March. For the full fiscal year, the average was US\$84.14 per barrel, up US\$14.76 from the previous year. In foreign exchange rates, the yen remained at a high level, and the average yen-dollar exchange rate was ¥85.74 for the full fiscal year, reflecting the yen's appreciation of ¥7.15 compared with a year earlier.

As a result, the year's trends in crude oil prices had the effect of pushing up the Company's LNG purchase price and contributing to increases in sales and gas resource costs.

Prices of Crude Oil and LNG



Yen–Dollar Exchange Rate



Analysis of the City Gas Business

Sales increased year-on-year across all sectors (residential, commercial and others, industrial, and wholesale).

Residential Sector

There was a decline in sales volume per customer due to a decrease in the number of household occupants and a focus on saving energy and economizing. By contrast, there was increase in the number of customers, while cool temperatures at the beginning and end of the fiscal year helped boost demand for hot water and indoor heating. Accordingly, residential demand grew 2.4%, to 3,520 million m^3.

Commercial and Others Sector

For the year, our commercial business was affected by customers' focus on saving energy and economizing, as well as ongoing stiff competition from electricity. However, high temperatures in the summer helped boost demand for air conditioning. As a result, commercial demand climbed 3.4%, to 3,042 million m^3.

Industrial Sector

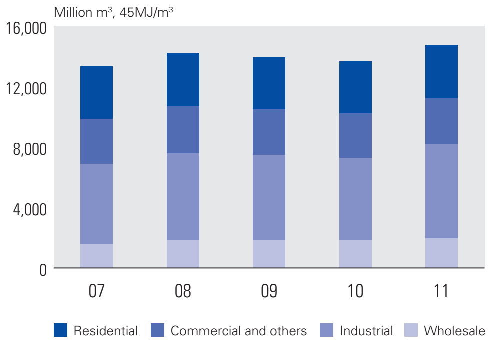
In addition to increased demand for power generation at the Ohgishima Power Station, demand from general industry was buoyed by moderate economic recovery, while the Great East Japan Earthquake also pushed up power generation demand. Consequently, industrial demand rose 14.5%, to 6,237 million m^3.

Wholesale Sector

Thanks to increased demand from other gas utilities, wholesale supplies grew 5.8%, to 1,947 million m^3.

As a result, the overall gas sales volume increased 7.9%, or 1,079 million m^3, to 14,745 million m^3.

Gas Sales Volume by Sector (Years ended March 31)



Analysis of Income and Expenses

Sales increased for the first time in two years, while income rose for the second consecutive year.

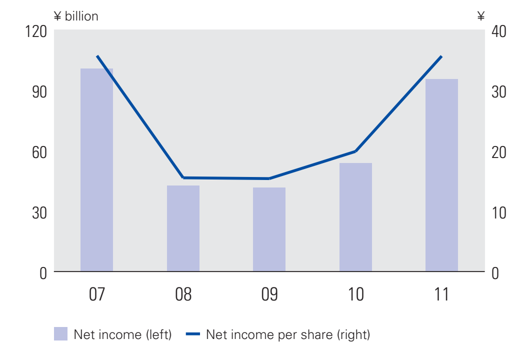
In the fiscal year under review, gas sales increased 8.7%, or ¥90.9 billion, to ¥1,137.0 billion, due to higher gas unit prices under the gas rate adjustment system and a 7.9% rise in gas sales volume. As a result, total net sales rose 8.4%, or ¥119.5 billion, from the previous year, to ¥1,535.2 billion.

Despite a ¥19.5 billion decline in the retirement benefits accounting actuarial difference burden, which was deducted from miscellaneous salaries, there was a ¥103.6 billion increase in gas resource costs due to high crude oil prices. Accordingly, operating expenses increased 6.2%, or ¥82.3 billion, to ¥1,412.7 billion. As a result, operating income jumped 43.7%, or ¥37.2 billion, to ¥122.4 billion.

Ordinary income climbed 45.5%, or ¥38.0 billion, to ¥121.5 billion, as income from weather derivatives compensated for a ¥4.7 billion decline in foreign exchange gains of overseas subsidiaries.

Among extraordinary items, a ¥39.7 billion gain on the sale of land in Toyosu to the Tokyo Metropolitan Government was included as extraordinary income. We also reported extraordinary losses in the form of a ¥2.1 billion loss on valuation of available-for-sale securities and a ¥3.2 billion loss on disaster associated with damage from the Great East Japan Earthquake that occurred on March 11. Accordingly, net income surged 77.5%, or ¥41.7 billion, to ¥95.4 billion.

Net Income and Net Income per Share
(Years ended March 31)



Analysis of Segments

City Gas Sales

Gas sales increased 8.7%, or ¥90.9 billion, year on year, to ¥1,137.0 billion, due to higher gas sales volume and a rise in gas unit prices under the gas rate adjustment system. At the same time, there were increases in LNG prices and resource costs associated with the higher gas sales volume. As a result, operating income in this segment rose 17.9%, or ¥20.6 billion, to ¥136.1 billion.

Gas Appliances and Installation Work

Sales in this segment grew 4.5%, or ¥7.7 billion, year on year, to ¥177.4 billion, while operating income declined 14.3%, or ¥0.3 billion, to ¥1.8 billion.

Other Energies

This segment consists of energy services, LPG, electric power, industrial gas, and other products and services. In the year under review, segment sales increased 40.7%, or ¥64.0 billion, year on year, to ¥221.2 billion, and operating income jumped 62.4%, or ¥4.3 billion, to ¥11.1 billion. Within this segment, the electric power sales posted a 150.3%, or ¥42.2 billion, to ¥70.2 billion, owing to the commencement of operations at the Ohgishima Power Station. Operating income surged 271.4%, or ¥4.4 billion, to ¥6.0 billion.

Real Estate

Sales in this segment remained mostly unchanged, at ¥32.7 billion. Operating income declined 15.1%, or ¥1.0 billion, to ¥5.7 billion.

Other

This segment includes facility construction and engineering, information processing, shipping, and credit and leasing. In the year under review, sales edged up 0.4%, or ¥0.7 billion, to ¥162.3 billion, and operating income jumped 52.5%, or ¥3.5 billion, to ¥9.9 billion.

Business Results by Segment (¥ million)

Sales

Years ended March 31	2010	**2011**
City gas sales	1,046,166	**1,137,077**
Gas appliances and installation work	169,784	**177,472**
Other energies	157,297	**221,292**
Real estate	32,784	**32,797**
Other	161,690	**162,302**
Total	1,567,722	**1,730,942**
Adjustments	(152,004)	**(195,699)**
Consolidated	1,415,718	**1,535,242**

Sales figures for each segment include intersegment transactions.

Operating Income

Years ended March 31	2010	2011
City gas sales	115,539	**136,181**
Gas appliances and installation work	2,184	**1,872**
Other energies	6,874	**11,166**
Real estate	6,732	**5,713**
Other	6,497	**9,907**
Total	137,828	**164,841**
Adjustments	(52,598)	**(42,389)**
Consolidated	85,229	**122,451**

Operating income figures for each segment include intersegment transactions.

Contribution to Net Sales by Segment

Years ended March 31	2010	2011	Change
City gas sales	66.7%	**65.6%**	–0.9 point
Gas appliances and installation work	10.8%	**10.3%**	–0.5 point
Other energies	10.0%	**12.8%**	+2.8 points
Real estate	2.1%	**1.9%**	–0.2 point
Other	10.3%	**9.4%**	–0.9 point

Financial Position

Assets

At fiscal year-end, total assets amounted to ¥1,829.6 billion, down 0.6%, or ¥11.3 billion, from a year earlier. Total property, plant and equipment rose 1.0%, or ¥11.4 billion, to ¥1,120.2 billion, due mainly to an increase in power generation equipment associated with the inclusion of Ohgishima Power Co., Ltd. into the scope of consolidation. Total intangible assets jumped 47.1%, or ¥13.2 billion, to ¥41.1 billion, due mainly to investments in software. Total investments and other assets declined 14.7%, or ¥39.4 billion, to ¥228.9 billion, due mainly to a decrease in the balance of long-term loans receivable.

Total current assets edged up 0.8%, or ¥3.6 billion, to ¥439.3 billion. Within this amount, other current assets increased ¥25.0 billion, to ¥98.0 billion, and cash and deposits fell ¥17.0 billion, to ¥90.3 billion.

Liabilities

Total liabilities declined 5.8%, or ¥59.1 billion, to ¥955.5 billion. Total noncurrent liabilities were down 1.2%, or ¥7.6 billion, to ¥646.7 billion. Within this amount, bonds payable increased ¥10.0 billion, but provision for retirement benefits decreased ¥34.1 billion. Total current liabilities fell 14.3%, or ¥51.5 billion, to ¥308.8 billion. Within this amount, notes and accounts payable — trade fell ¥58.8 billion, to ¥76.1 billion, and other current liabilities rose ¥7.6 billion, to ¥133.2 billion.

Net Assets

Total net assets increased 5.8%, or ¥47.8 billion, to ¥874.0 billion. This was due mainly to ¥95.4 billion in net income, as well as a 7.6%, or ¥60.6 billion, rise in total shareholders' equity, to ¥859.9 billion, which outweighed ¥25.5 billion in cash dividends paid and a ¥15.6 billion decline in total accumulated other comprehensive income.

Changes in Treasury Stock

In the fiscal year ended March 31, 2011, the Company purchased 14.03 million shares of treasury stock due to a request by shareholders opposed to merger by absorption of consolidated subsidiaries. Despite the cancellation of 19,568 thousand shares during the year, total treasury stock rose 18.6%, or ¥0.4 billion, to ¥2.3 billion.

Equity Ratio

Total equity increased 5.5%, or ¥45.1 billion, to ¥858.9 billion. This was due primarily to an increase in retained earning stemming from net income, which outweighed ¥25.5 billion in cash dividend payments. Because total assets edged down 0.6%, or ¥11.3 billion, to ¥1,829.6 billion, the equity ratio rose 2.7 percentage points, to 46.9%.

Interest-Bearing Debt

In the year under review, total interest-bearing debt increased 5.1%, or ¥28.2 billion, to ¥584.1 billion, due primarily to an increase in capital investments. As a result, the D/E ratio remained unchanged, at 0.68.

Credit Ratings

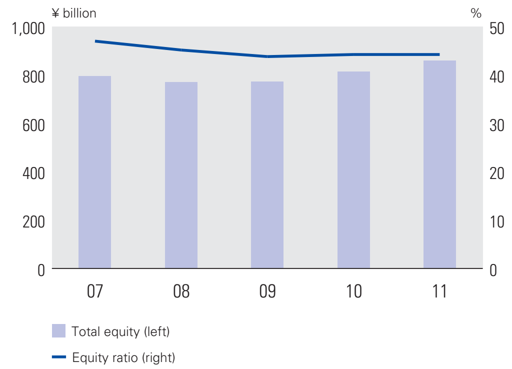
To secure financial flexibility in regard to liquidity on hand and capital policy, and to secure access to financial resources through the capital markets, the Company believes that it is necessary to maintain its credit rating at a certain level. Tokyo Gas has acquired ratings from Moody's, Standard & Poor's (S&P), Rating and Investment Information, Inc. (R&I), and Japan Credit Rating Agency, Ltd. (JCR). As of March 31, 2011, the ratings were as follows.

Moody's	Aa2	High creditworthiness and very low credit risk to meet long-term obligations.
S&P	AA–	Very strong capacity to meet obligations. Difference from the highest rating, AAA, is small. (Plus and minus signs indicate relative standing within each rating category.)
R&I	AA+	Very high creditworthiness supported by some excellent factors.
JCR	AAA	The highest level of capacity of the obligor to honor its financial commitment on the obligation.

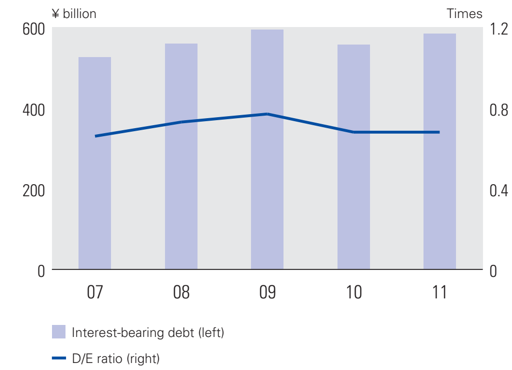
Capital Expenditures and Depreciation

Capital expenditures rose 1.4%, or ¥2.1 billion, to ¥150.2 billion. This was principally attributable to investments in the Ohgishima Power Station, which commenced operations during the period. Similarly, depreciation was up 2.2%, or ¥3.2 billion, to ¥149.3 billion.

Total Equity and Equity Ratio (At March 31)



Interest-bearing Debt and D/E Ratio (At March 31)



Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥162.3 billion, down ¥131.8 billion from the previous year. Main factors were a ¥52.5 billion decrease in notes and accounts payable — trade (down ¥81.9 billion from the previous year), a ¥34.1 billion decrease in provision for retirement benefits (down ¥64.2 billion), and a ¥39.8 billion gain on sales of noncurrent assets (down ¥39.5 billion). Main contrasting factors were ¥155.4 billion in income before income taxes (up ¥71.9 billion) and a ¥24.2 billion decrease in accounts receivable — other (up ¥31.0 billion).

Cash Flows from Investment Activities

Net cash used in investment activities totaled ¥172.3 billion, compared with ¥177.2 billion used in the previous year. Main components were ¥150.8 billion in the purchase of property, plant and equipment and intangible assets (up ¥5.3 billion from the previous year), ¥21.7 billion in the purchase of investment securities (up ¥8.3 billion), and ¥3.1 billion in payments of long-term loans receivable (down ¥14.7 billion).

Cash Flows from Financing Activities

Net cash used in financing activities was ¥7.2 billion, compared with ¥69.3 billion used in the previous year. Main factors included ¥40.0 billion in proceeds from issuance of bonds (up ¥10.0 billion), ¥20.0 billion in the redemption of bonds (down ¥40.2 billion), and a ¥15.0 billion increase in commercial papers.

Operating Cash Flow

Aiming to aggressively invest in the gas business to prepare for future growth in demand, Tokyo Gas has made operating cash flow a key management indicator and has disclosed its allocation policy. Operating cash flow is calculated by adding depreciation to net income.

Operating cash flow for the fiscal year ended March 31, 2011 amounted to ¥244.8 billion, a year-on-year increase of ¥45.0 billion. The higher figure reflects a ¥41.7 billion increase in net income and a ¥3.2 billion increase in depreciation.

Total Payout Ratio

Tokyo Gas has set an objective of a 60% total payout ratio, which means to return 60% of net income to shareholders, as an indicator of its commitment to shareholder returns. Specifically, we define this new indicator as the ratio of the sum of the income distributed as dividends funded by net income in FY n and share repurchasing in FY n+1 to the net income in FY n.

In the fiscal year ended March 31, 2011, the Company posted extraordinary income of ¥39.9 billion, due primarily to a gain on sales of noncurrent assets from the sale of land in Toyosu. Including this amount, the Company maintained its existing policy of returning 60% of net income to shareholders.

The Company plans dividends of ¥9.00 per share for the fiscal year ended March 31, 2011, unchanged from the previous year, and share repurchases of ¥34.0 billion in the fiscal year ending March 31, 2012. As a result, the total payout ratio for the fiscal year ended March 31, 2011 was 60.9%.

In regard to dividends, we maintained dividends at ¥9.00 per share. In the future, our priority is to ensure stable dividends, with consideration for gradual increases over the long term and without reducing dividends.

With respect to share repurchases, our basic principle is to cancel the shares. In the fiscal year ended March 31, 2011, we purchased treasury stock totaling ¥34.0 billion, and we plan to cancel those shares at an early stage.

	Millions of yen		
Years ended March 31	2009	2010	**2011**
Net cash provided by operating activities	159,561	294,110	**162,345**
Net cash used in investment activities	(163,575)	(177,290)	**(172,305)**
Net cash provided by (used in) financing activities	30,932	(69,375)	**(7,212)**

Key Management Indicators

ROA and ROE improve due to higher net income.

ROA

The average balance of total assets decreased, and net income jumped 77.5% year-on-year, to ¥95.4 billion. Accordingly, ROA improved 2.2 percentage points, to 5.2%.

ROE

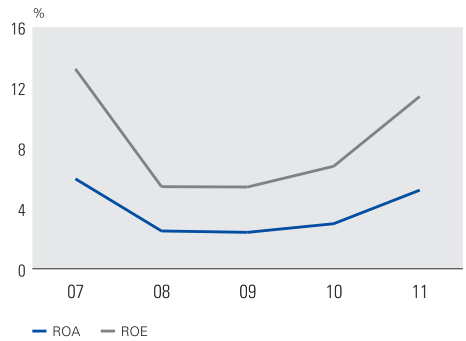
The average balance of total equity increased, and net income jumped 77.5% year-on-year, to ¥95.4 billion. As a result, ROE improved 4.6 percentage points, to 11.4%—the first double-digit result in four years.

TEP

Our goal is to generate profit in excess of capital costs. This is reflected in our adoption of Tokyo Gas Economic Profit (TEP: Net operating profit after tax prior to interest payments minus the cost of capital) as one of our main management indicators.

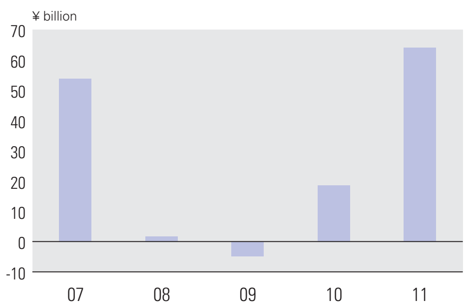
In the fiscal year ended March 31, 2011, Net Operating Profit After Tax Prior to Interest Payments (NOPAT) increased ¥46.1 billion year-on-year, to ¥108.8 billion. The Weighted Average Cost of Capital (WACC) remained unchanged, at 3.2%, and the cost of capital increased ¥0.7 billion, to ¥44.8 billion. Consequently, TEP improved ¥45.4 billion, to ¥64.0 billion.

ROA and ROE (Years ended March 31)



ROA = Net income / total assets
(average of positions at start and end of fiscal year)
ROE = Net income / total equity
(average of positions at start and end of fiscal year)

TEP (Years ended March 31)



TEP = NOPAT – cost of capital (Invested capital x WACC)
NOPAT: Net operating profit after tax prior to interest payments

Forecast

We forecast an increase in sales, but a decline in income in the fiscal year ending March 31, 2012.

In the fiscal year ending March 31, 2012, we expect consolidated net sales to increase 14.1%, or ¥216.8 billion, to ¥1,752.0 billion; operating income to decline 53.5%, or ¥65.4 billion, to ¥57.0 billion; and net income to fall 65.4%, or ¥62.4 billion, to ¥33.0 billion.

In the fiscal year ended March 2011, ordinary income was ¥121.5 billion, but in the year ahead we forecast a decline of 57.2%, or ¥69.5 billion, to ¥52.0 billion. Principal factors include a ¥61.1 billion year-on-year decline in non-consolidated ordinary income of Tokyo Gas, a ¥12.2 billion fall in ordinary income of consolidated subsidiaries, and a ¥3.8 billion increase due to consolidated adjustments.

On a non-consolidated basis, Tokyo Gas is expected to record a ¥61.1 billion year-on-year decline in ordinary income compared with the year under review. Despite an expected increase in sales stemming from high gas unit prices under the gas rate adjustment system, this will be surpassed by gas resource costs, leading to a ¥27.5 billion decrease in gross profits on gas. The under-recovery of gas resource costs due to the slide time lag under the gas rate adjustment system is expected to push down profits by ¥26.7 billion. Although a decrease in miscellaneous expenses is expected, we also forecast a ¥20.0 billion increase in operating expenses, due mainly to higher miscellaneous salaries stemming from amortization of the retirement benefit accounting actuarial differences.

Ordinary income of consolidated subsidiaries is projected to decline ¥12.2 billion, due primarily to the lower foreign exchange gains of overseas subsidiaries.

* The above forecasts are valid as of the date of the Company's consolidated financial results announcement for the fiscal year ended March 31, 2011.

External Risks Affecting Business Activities

Gas Resource Purchase Price Fluctuation Risk

City gas supplied by Tokyo Gas is produced mainly from imported LNG. Since contracts are denominated in U.S. dollars, earnings are at risk from fluctuations in the yen-dollar exchange rate. Also, the dollar-denominated LNG prices are linked to crude oil prices on a sliding scale, which exposes the Company to risk from changes in the international market price for crude oil.

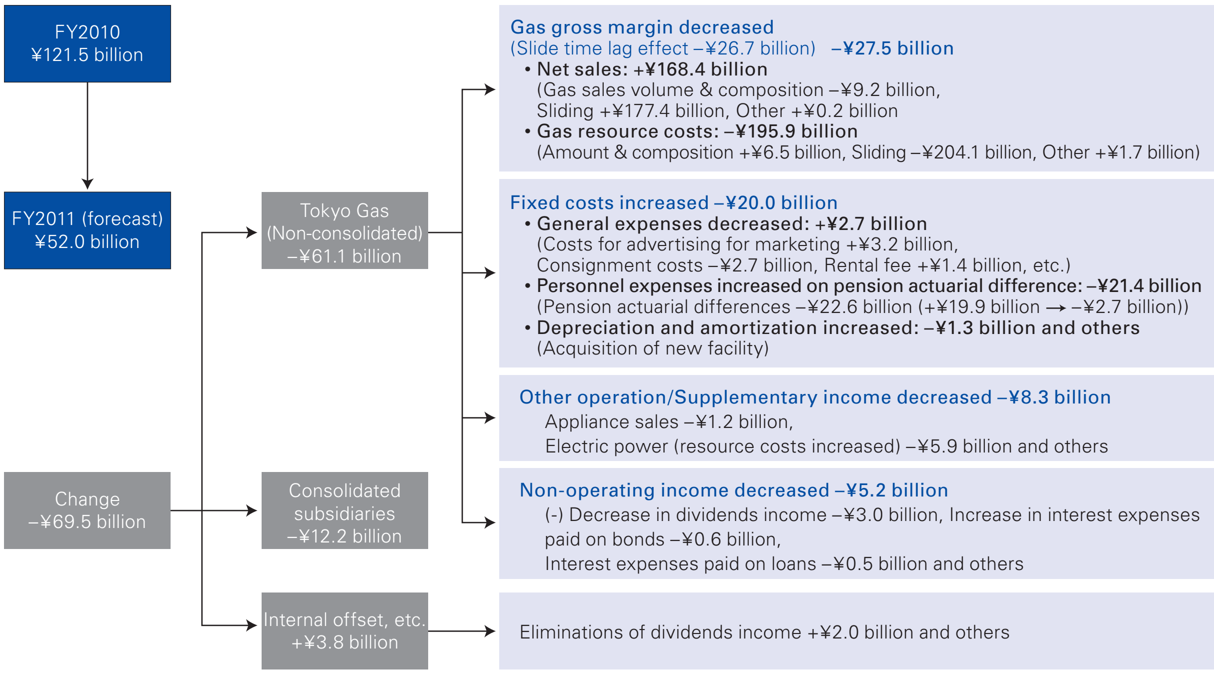
Fluctuations in the cost of gas resources are passed on to gas rates after at most five months under the "gas rate adjustment system." Accordingly, in a single fiscal year there can be under-recovery or over-recovery. However, over the medium to long term, the effect on income is minimal.

The extent to which fluctuations in exchange rates and crude oil prices will affect gross profit in the fiscal year ending March 31, 2012 is as follows.

Exchange rate: Approximately ¥1.5 billion down (up) with depreciation (appreciation) of ¥1/dollar
Crude oil price: Approximately ¥1.2 billion down (up) with an increase (decrease) in crude oil price of US$1/barrel

In the fiscal year ended March 31, 2011, the average exchange rate was ¥85.74 to one dollar, and the crude oil price averaged US$84.14 per barrel. Forecasts for the fiscal year ending March 31, 2012 are based on an exchange rate of ¥85.00 to one dollar and an average crude oil price of US$116.25 per

Ordinary Income Plan for Fiscal Year Ending March 31, 2012: Analysis of Factors (Year on Year)



barrel (as of the announcement date of the consolidated financial results for the fiscal year ended March 31, 2011.)

In regard to the risk of fluctuations in the gas resource purchase price, although there can be under-recovery or over-recovery in a single fiscal year under the gas rate adjustment system, the Company hedges a certain portion of this risk through LNG swaps. In regard to foreign exchange rate fluctuations, meanwhile, the Company hedges a certain portion of the risk through forward exchange contracts.

Temperature Fluctuation Risk

Temperatures affect the volume of city gas sales, which account for around 70% of consolidated sales. In the residential sector, gas is used mainly for water heating and indoor heating. Mild winter weather can erode revenues and income by reducing the volume of gas sold. In the commercial and others sector, gas is mainly used for air conditioning systems, so if temperatures are low in the summer or high in the winter, such temperature fluctuations can erode revenues and income by reducing the volume of gas sold.

The average temperatures in the fiscal year ended March 31, 2011 were 23.0˚C in the first half of the year, 10.4˚C in the second half, and 16.7˚C for the whole year. Forecasts for the fiscal year ending March 31, 2012 are based on an average of 16.7˚C for the whole year.

To control the risk of temperature-related fluctuations in earnings, the Company hedges a certain portion of that risk through weather derivatives.

Impact of 1°C Temperature Rise on Overall Gas Sales Volume

	Rate of change
Summer (June–September)	0.1%
Winter (December–March)	–2.3%
Intervening months (April, May, October, November)	–2.1%
Annual	–2.1%

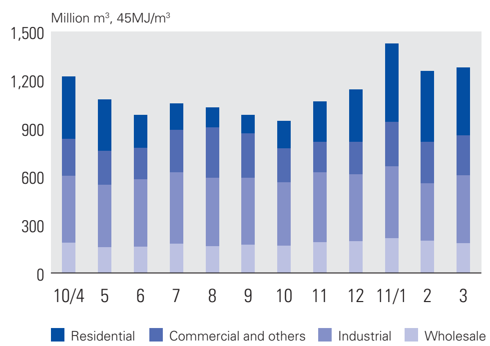
Interest Rate Fluctuation Risk

The Company's interest-bearing liabilities, both long- and short-term, mostly carry fixed interest rates, so there is only a very small interest rate fluctuation risk during the term of an obligation. However, there may be fluctuation risk when loans are refinanced.

Stock Price Fluctuation Risk

The equities held by Tokyo Gas are primarily those of its necessary business partners, which are held with the objective of fostering mutual growth. Among them, equities of publicly listed companies are subject to market risk. Tokyo Gas has established management policies and rules and regularly reviews the necessity of equity holdings and their asset valuations for handling of such equities.

Monthly Gas Sales Volume for the Fiscal Year Ended March 31, 2011 (Non-consolidated)



Described below are items in the annual *Yuho* securities report concerning the Company's business results and financial condition that could have a significant influence on investor decisions. Forward-looking statements are based on the judgments of the Group as of the end of the fiscal year (March 31, 2011).

1. Accidents and Disasters

(1) Resource Procurement Supply Interruption Risk

Because Tokyo Gas relies on imports for the majority of its natural gas and other city gas resources, supplier country risk, accidents at fields or LNG liquefaction plants, accidents involving LNG vessels in transit, restrictions on port entry into Tokyo Bay, or other situations preventing the procurement of gas resources may disrupt the supply of natural gas. The Company strives to disperse procurement risks, thereby ensuring its ability to procure LNG in a stable and flexible manner, through supply diversification. These efforts include importing LNG from six countries and through 10 projects and flexibly allocating its own LNG ships.

(2) Natural Disaster Risk

Tokyo Gas engages in facility-dependent businesses because city gas production and supply facilities are the foundation of its business. The Company therefore enforces measures to minimize the aftermath of natural disasters. Some such measures include making facilities earthquake-proof to permit uninterrupted production and supply of city gas even in the event of large-scale earthquakes of a magnitude equivalent to the Great Hanshin-Awaji Earthquake; taking emergency measures to prevent secondary disasters; preparation of a business continuity plan (BCP) that takes into account large-scale earthquakes such as are assumed by Japan's Cabinet Office; the improvement of contingency plans; and regular drills for natural disasters including earthquakes, typhoons, and tsunami. Despite such measures, major natural disasters may cause damage to LNG terminals and other production facilities or pipelines and other supply facilities and disrupt the supply of city gas. Costs accompanying recovery efforts could affect revenues.

(3) City Gas and Electricity Production/Supply Accidents or Supply Disruption

The production and supply of city gas and electricity that is essential to the life of customers and industry is the core of the Company's business activities. For this reason, Tokyo Gas is implementing measures to prevent accidents and supply-side impairments through the systematic implementation of various security measures—including the formulation of business continuity plans to prepare for major interruptions or accidents affecting gas supply—as well as the preparation of emergency response plans and the execution of regular drills. However, large-scale leakages, explosions, or supply difficulties in the process of city gas production or supply could result not only in direct damages but also in tangible and intangible losses, including social responsibility. Remedying power supply impairments may result in additional losses.

(4) Ensuring the Safety of City Gas and Quality Problems Affecting Gas Equipment

Tokyo Gas has a responsibility to ensure the safe supply of city gas. Accordingly, the Company has in place safety measures that include reinforcing periodic customer safety checks, increasing the number of categories included in checks, and encouraging upgrades to safer appliances. Tokyo Gas sells gas appliances and other equipment under the Tokyo Gas brand through consolidated subsidiaries and related companies and promotes the development of gas appliances with enhanced safety features. Nevertheless, costs accompanying responses to accidents caused by city gas supply, appliances, or other equipment could affect future earnings, and other direct and indirect losses could result.

(5) Damage to Reputation Resulting from City Gas Accidents Caused by Other Gas Companies

Accidents involving city gas supply by other gas companies could have a serious effect on the reputation of the city gas industry as a whole. This could result in tangible and intangible losses.

2. Market Risks

(1) Market Price and Interest Rate Fluctuation Risks

Tokyo Gas might incur losses in the event of fluctuations in market prices of Company-owned real estate, stocks, pension assets, or other assets. In addition, interest rate fluctuations could raise the Company's interest burden. However, as most of its interest-bearing debts are long-term, fixed-rate debts, Tokyo Gas expects the impact of interest rate fluctuations to be minimal.

3. Risks Accompanying Business Execution

(1) Risks Faced by Existing Business

A. Changes in procurement costs

Changes in terms of contracts and negotiations with suppliers of LNG, from which city gas is produced, may affect profitability. Also, as LNG and crude oil prices are linked, and as crude oil sales contracts are denominated in U.S. dollars, changes in crude oil prices and fluctuations in yen-dollar exchange rates can impact profitability.

Furthermore, if demand increases more than the amount procured through LNG projects based on long-term contracts, or trouble occurs at a shipping terminal or during transportation, or there are delays of LNG supply by new projects, revenues may be affected by the cost of procuring spot LNG.

On the other hand, under the provisions for adjusting gas rates to reflect resource costs, fluctuations in gas resource prices are reflected in rates within five months at maximum. However, if such fluctuations exceed 160% of the standard resource price, the excess amount cannot be collected. In the event that such changes are reflected in gas rates beyond the fiscal term, the bottom line may be affected during the following fiscal term as a result of the under-recovery or over-recovery of gas resource costs.

B. Decline in gas sales volume due to weather fluctuations

As sales of city gas accounts for approximately 70% of Group sales, particularly hot summer and unseasonably warm winter weather can cause fluctuations in residential sales of gas used to supply hot water and heating, as well as commercial and others sales to air condition buildings, thereby affecting revenues.

C. Decline in demand due to intensified competition

Tokyo Gas strives aggressively to enhance its sales activities through such measures as introducing gas appliances that are environmentally conscious, efficient and convenient. Nevertheless, the Company may face falling demand owing to increasing competition with electric utilities and major companies entering into the gas business, as well as the possible loss of LNG competitiveness against other energy sources due to crude oil price fluctuation. Such factors may affect revenues.

D. Decline in existing demand
Decreased facility utilization due to economic recession, the advancement of energy conservation activities, changes in industry structure, or other factors may result in a partial decrease in existing gas demand in the industrial and commercial sectors. Also, smaller families, changes in lifestyles, the penetration of energy-saving appliances, and other factors may reduce demand from the residential sector.

E. Delay in the development of new technology
Although the Group is developing new products and technologies with enhanced environmental designs and a high level of safety, it may not be able to develop and deliver these products and technologies in a timely manner. This situation could cause competitiveness to fall in comparison with other forms of energy, and affect the Group's execution of business.

F. Changes in laws, regulatory systems, or energy policies of the national governments or local governments
Tokyo Gas manages its operations in compliance with the Gas Utility Industry Law, the Companies Act, the Financial Instruments and Exchange Act, and other laws, regulations, and institutions, as well as the energy policies of the national and local governments. Any revisions to these laws, regulations, institutions, or policies that prove detrimental to the Tokyo Gas Group may affect business performance.

(2) Delayed Cultivation of New Markets
As described in its medium-term management plan, the Company is cultivating new markets by promoting the adoption of the "ENE-FARM" residential fuel cell and new energy systems incorporating solar light and heat. However, subsequent changes in the operating environment, including changes in energy policy by national or local governments, could delay this cultivation, compel a change in business strategy and prevent the recovery of investment.

(3) Inability to Recover Investments
Tokyo Gas makes large ongoing investments in keeping with the goal of "advancing and developing the integrated energy business strategy" expressed in its medium-term management plan. The Company evaluates profitability and risks of all investments, capital contributions, loans, and debt guarantees at the Investment Evaluation Committee, and makes investment decisions based on a conclusion from the committee while consulting with the management council and the Board of Directors' meeting, if necessary, from a standpoint of comprehensive management judgment. The targets of these investments include construction of pipelines and reinforcement of foundations for stable supply through the construction of LNG terminals and other facilities, the electric power and energy service businesses, development of gas fields overseas, the LNG transport business, and IT and other elements required for ongoing business, as well as investment related to the use of owned real estate. Changes in the economic situation could render it impossible to recover these investments or to benefit from their intended effects, consequently affecting the Company's balance of payments.

4. Risks Related to Information Management and System Operation

(1) Outflows of Personal Information
To conduct its business as a public utility, Tokyo Gas collects and manages personal information on its customers. The Company has implemented measures to prevent leakage of personal information by constructing a groupwide information security system, conducting training on information security, and voluntarily monitoring such information. The Group also performs internal audits to ensure proper construction and operational status. Outflows of customers' personal information despite these efforts may result in direct costs to remedy the situation, as well as tangible and intangible losses, including damage to the trust of customers and other parties, with more serious consequences than for other companies.

(2) Failure or Malfunctioning of IT Backbone Systems
Because the Group relies on IT systems for customer service and the calculation of gas rates, it has implemented measures to minimize the impact on operations of unexpected events. Tokyo Gas employs a robust data center with superior fault resilience and disaster tolerance. The Company also prepares and implements various security measures and regular drills to ensure stable operation of the systems. The shutdown or malfunction of these systems could delay customer response, as well as cause tangible and intangible losses, such as reputational loss.

However, such IT system malfunctions are unlikely to have any serious impact on the production and supply of city gas because the IT system for adjusting the production and supply of city gas has its independent security measures in place. These include a backup system and wireless network operated by the Group.

(3) Interruption of Communication with Call Centers
Most communications between Tokyo Gas and its customers take place via call centers. Interruptions to telephone service to call centers would disrupt service to customers over wide areas, and could incur serious tangible and intangible losses, including damage to the Tokyo Gas Group's brand image.

5. Risks Related to Corporate Social Responsibility

(1) Response to New Environmental Regulations
The need to comply with new environmental laws or additional obligations to improve the environment might affect business operations, and it could affect revenues.

(2) Compliance Violations
As compliance is fundamental to its operations, the Group has established the Management Ethics Committee, chaired by the president. This committee sets out the basic policies under which the Group executes actions to improve compliance. Internal audits help ensure a full understanding of the Group's compliance with laws and regulations, corporate ethics, and social norms, and confirm the status of such compliance. Any violations of laws, rules, and regulations or inappropriate responses to information disclosure or any action which contravenes corporate ethics or social norms that occur despite these efforts may result in direct costs to remedy the situation, as well as in tangible and intangible losses, including social sanctions.

(3) Inadequate Customer Satisfaction or Responses to Customer Needs
The Group considers customer satisfaction a key management priority. Accordingly, the Group is pursuing a CS improvement program under the basic policies set out by a CS improvement committee chaired by the president. Inadequate customer satisfaction or inappropriate customer service may result in declining corporate competitiveness and in tangible and intangible losses, including damage to the Tokyo Gas Group's brand image.

CONSOLIDATED BALANCE SHEETS

March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	2010	**2011**	**2011**
Noncurrent assets			
Property, plant and equipment (Note 11)			
Production facilities	¥ 186,467	**¥ 180,446**	**$ 2,174,048**
Distribution facilities (Note 3)	475,932	**461,109**	**5,555,530**
Service and maintenance facilities (Note 3)	59,169	**62,149**	**748,783**
Other facilities (Notes 3 and 15)	295,494	**318,239**	**3,834,205**
Inactive facilities	742	**447**	**5,386**
Construction in progress	91,037	**97,850**	**1,178,916**
Total property, plant and equipment	1,108,843	**1,120,243**	**13,496,904**
Intangible assets			
Goodwill	1,460	**1,198**	**14,434**
Other (Note 15)	26,517	**39,944**	**481,253**
Total intangible assets	27,977	**41,143**	**495,699**
Investments and other assets			
Investment securities (Notes 3, 5 and 6)	139,052	**137,456**	**1,656,096**
Long-term loans receivable (Note 3)	40,996	**21,340**	**257,108**
Deferred tax assets (Note 10)	53,087	**39,085**	**470,904**
Other	36,350	**31,928**	**384,675**
Allowance for doubtful accounts	(1,130)	**(909)**	**(10,952)**
Total investments and other assets	268,357	**228,900**	**2,757,831**
Total noncurrent assets	1,405,178	**1,390,286**	**16,750,434**
Current assets			
Cash and deposits (Notes 3 and 13)	107,391	**90,302**	**1,087,976**
Notes and accounts receivable — trade	156,398	**160,128**	**1,929,253**
Lease receivables and lease investment assets (Note 15)	25,888	**26,789**	**322,759**
Merchandise and finished goods	3,291	**3,591**	**43,265**
Work in process	16,388	**8,937**	**107,675**
Raw materials and supplies	37,412	**36,451**	**439,169**
Deferred tax assets (Note 10)	16,606	**15,624**	**188,241**
Other (Note 3)	73,034	**98,096**	**1,181,880**
Allowance for doubtful accounts	(619)	**(546)**	**(6,578)**
Total current assets	435,794	**439,374**	**5,293,663**
Total assets	¥1,840,972	**¥1,829,661**	**$ 22,044,108**

Accompanying notes are an integral part of these financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
Liabilities and net assets	2010	**2011**	**2011**
Noncurrent liabilities			
Bonds payable (Notes 5 and 7)	¥ 301,491	**¥ 311,492**	**$ 3,752,916**
Long-term loans payable (Notes 3, 5 and 7)	186,681	**188,239**	**2,267,940**
Deferred tax liabilities (Note 10)	4,448	**17,330**	**208,795**
Provision for retirement benefits (Note 9)	130,903	**96,870**	**1,167,108**
Provision for gas holder repairs	3,597	**3,565**	**42,952**
Provision for safety measures	184	**—**	**—**
Asset retirement obligations	—	**3,679**	**44,325**
Other	27,012	**25,535**	**307,651**
Total noncurrent liabilities	654,319	**646,713**	**7,791,723**
Current liabilities			
Current portion of noncurrent liabilities (Notes 3, 5 and 7)	53,456	**48,765**	**587,530**
Notes and accounts payable — trade	134,946	**76,180**	**917,831**
Short-term loans payable (Note 7)	11,348	**17,825**	**214,759**
Income taxes payable	34,945	**32,795**	**395,120**
Deferred tax liabilities (Note 10)	8	**6**	**72**
Asset retirement obligations	—	**77**	**928**
Other (Note 3)	125,656	**133,203**	**1,604,855**
Total current liabilities	360,362	**308,853**	**3,721,120**
Total liabilities	1,014,681	**955,567**	**11,512,855**
Net assets (Note 12)			
Shareholders' equity			
Capital stock*	141,844	**141,844**	**1,708,964**
Legal capital surplus	2,065	**2,065**	**24,880**
Retained earnings	657,387	**718,439**	**8,655,892**
Treasury stock**	(1,986)	**(2,355)**	**(28,373)**
Total shareholders' equity	799,310	**859,994**	**10,361,373**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	20,175	**14,788**	**178,169**
Deferred gains or losses on hedges	1,690	**1,145**	**13,795**
Foreign currency translation adjustment	(7,290)	**(17,008)**	**(204,916)**
Total accumulated other comprehensive income	14,575	**(1,073)**	**(12,928)**
Minority interests	12,404	**15,174**	**182,819**
Total net assets	826,291	**874,094**	**10,531,253**
Total liabilities and net assets	¥1,840,972	**¥1,829,661**	**$ 22,044,108**

* Capital stock
Common stock
Authorized: 6,500,000,000 shares
Issued: 2,684,193,295 shares as of March 31, 2011 / 2,703,761,295 shares as of March 31, 2010

** Treasury stock: 5,899,491 shares as of March 31, 2011 / 5,062,893 shares as of March 31, 2010

CONSOLIDATED STATEMENTS OF INCOME

Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Net sales (Note 14)	¥1,415,718	¥1,535,242	$ 18,496,892
Cost of sales	854,231	974,781	11,744,349
Gross profit	561,487	560,460	6,752,530
Selling, general and administrative expenses			
Supply and sales expenses	403,671	374,919	4,517,096
General and administrative expenses	72,586	63,090	760,120
Total selling, general and administrative expenses	476,257	438,009	5,277,217
Operating income	85,229	122,451	1,475,313
Non-operating income			
Interest income	1,112	1,215	14,639
Dividends income	1,091	1,541	18,566
Equity in earnings of affiliates	3,796	3,605	43,434
Foreign exchange gains	6,175	2,421	29,169
Miscellaneous income	8,450	8,111	97,723
Total non-operating income	20,626	16,895	203,554
Non-operating expenses			
Interest expenses	10,303	9,689	116,735
Adjustments of charges for construction of distribution facilities	3,186	2,361	28,446
Miscellaneous expenses	8,845	5,747	69,241
Total non-operating expenses	22,336	17,798	214,434
Ordinary income	83,519	121,548	1,464,434
Extraordinary income			
Gain on sales of noncurrent assets	—	39,927	481,048
Gain on sales of investment securities	—	726	8,747
Total extraordinary income	—	40,653	489,795
Extraordinary losses			
Impairment loss	—	834	10,048
Loss on disaster	—	3,268	39,373
Loss on valuation of investment securities	—	2,100	25,301
Product compensation extraordinary expenses	—	503	6,060
Total extraordinary losses	—	6,707	80,807
Income before income taxes	83,519	155,494	1,873,422
Income taxes — current	43,419	27,522	331,590
Income taxes — deferred	(14,552)	31,901	384,349
Total income taxes	28,866	59,424	715,952
Income before minority interests	54,652	96,070	1,157,470
Minority interests in income	871	603	7,265
Net income	¥ 53,781	¥ 95,467	$ 1,150,205

	Yen		U.S. dollars (Note 1)
	2010	2011	2011
Amounts per share of common stock			
Net income	¥ 19.86	¥ 35.63	$ 0.43
Cash dividends applicable to the year	9.00	9.00	0.11

Accompanying notes are an integral part of these financial statements.

From the fiscal year ended March 31, 2011, the Company and its consolidated subsidiaries have applied the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25; June 30, 2010). The said Accounting Standard was not applicable for the previous fiscal year ended March 31, 2010. However, income before minority interests is shown for the sake of reference.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Income before minority interests	¥ 54,652	¥ 96,070	$ 1,157,470
Other comprehensive income			
Valuation difference on available-for-sale securities	8,769	(5,375)	(64,759)
Deferred gains or losses on hedges	771	(604)	(7,277)
Foreign currency translation adjustment	5,065	(7,095)	(85,482)
Share of other comprehensive income of associates accounted for using equity method	258	(2,554)	(30,771)
Total other comprehensive income	14,865	(15,630)	(188,313)
Comprehensive income	69,517	80,440	969,157
Comprehensive income attributable to:			
Shareholders	68,584	79,818	961,663
Minority interests	¥ 932	¥ 622	$ 7,494

Accompanying notes are an integral part of these financial statements.

From the fiscal year ended March 31, 2011, the Company and its consolidated subsidiaries have applied the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25; June 30, 2010).
The said Accounting Standard was not applicable for the previous fiscal year ended March 31, 2010.
However, figures for the previous fiscal year have been restated to conform to the presentation of the fiscal year ended March 31, 2011 for the sake of reference.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Shareholders' equity			
Capital stock			
Balance at the end of previous period	¥ 141,844	¥ 141,844	$ 1,708,964
Changes of items during the period			
Total changes of items during the period	—	—	—
Balance at the end of period	141,844	141,844	1,708,964
Legal capital surplus			
Balance at the end of previous period	2,065	2,065	24,880
Changes of items during the period			
Changes of items during the period	—	—	—
Balance at the end of period	2,065	2,065	24,880
Retained earnings			
Balance at the end of previous period	631,045	657,387	7,920,325
Changes of items during the period			
Dividends from surplus	(21,701)	(25,549)	(307,819)
Net income	53,781	95,467	1,150,205
Disposal of treasury stock	(21)	(1)	(12)
Retirement of treasury stock	(5,418)	(7,919)	(95,410)
Change of scope of consolidation	(298)	(943)	(11,361)
Total changes of items during the period	26,342	61,052	735,566
Balance at the end of period	657,387	718,439	8,655,892
Treasury stock			
Balance at the end of previous period	(2,361)	(1,986)	(23,928)
Changes of items during the period			
Purchase of treasury stock	(5,149)	(8,314)	(100,169)
Disposal of treasury stock	105	25	301
Retirement of treasury stock	5,418	7,919	95,410
Total changes of items during the period	374	(369)	(4,446)
Balance at the end of period	(1,986)	(2,355)	(28,373)
Total shareholders' equity			
Balance at the end of previous period	772,594	799,310	9,630,241
Changes of items during the period			
Dividends from surplus	(21,701)	(25,549)	(307,819)
Net income	53,781	95,467	1,150,205
Purchase of treasury stock	(5,149)	(8,314)	(100,169)
Disposal of treasury stock	84	23	277
Change of scope of consolidation	(298)	(943)	(11,361)
Total changes of items during the period	26,716	60,683	731,120
Balance at the end of period	799,310	859,994	10,361,373
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	11,466	20,175	243,072
Changes of items during the period			
Net changes of items other than shareholders' equity	8,709	(5,386)	(64,892)
Total changes of items during the period	8,709	(5,386)	(64,892)
Balance at the end of period	20,175	14,788	178,169
Deferred gains or losses on hedges			
Balance at the end of previous period	920	1,690	20,361
Changes of items during the period			
Net changes of items other than shareholders' equity	769	(544)	(6,554)
Total changes of items during the period	769	(544)	(6,554)
Balance at the end of period	1,690	1,145	13,795
Foreign currency translation adjustment			
Balance at the end of previous period	(12,615)	(7,290)	(87,831)
Changes of items during the period			
Net changes of items other than shareholders' equity	5,324	(9,717)	(117,072)
Total changes of items during the period	5,324	(9,717)	(117,072)
Balance at the end of period	(7,290)	(17,008)	(204,916)
Total accumulated other comprehensive income			
Balance at the end of previous period	(228)	14,575	175,602
Changes of items during the period			
Net changes of items other than shareholders' equity	14,803	(15,649)	(188,542)
Total changes of items during the period	14,803	(15,649)	(188,542)
Balance at the end of period	14,575	(1,073)	(12,928)
Minority interests			
Balance at the end of previous period	12,250	12,404	149,446
Changes of items during the period			
Net changes of items other than shareholders' equity	154	2,769	33,361
Total changes of items during the period	154	2,769	33,361
Balance at the end of period	12,404	15,174	182,819
Total net assets			
Balance at the end of previous period	784,616	826,291	9,955,313
Changes of items during the period			
Dividends from surplus	(21,701)	(25,549)	(307,819)
Net income	53,781	95,467	1,150,205
Purchase of treasury stock	(5,149)	(8,314)	(100,169)
Disposal of treasury stock	84	23	277
Change of scope of consolidation	(298)	(943)	(11,361)
Net changes of items other than shareholders' equity	14,957	(12,879)	(155,169)
Total changes of items during the period	41,674	47,803	575,940
Balance at the end of period	¥ 826,291	¥ 874,094	$ 10,531,253

Accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2011	2011
Net cash provided by (used in) operating activities			
Income before income taxes	¥ 83,519	¥ 155,494	$ 1,873,422
Depreciation and amortization	142,110	145,389	1,751,675
Impairment loss	—	834	10,048
Amortization of long-term prepaid expenses	4,007	3,946	47,542
Loss on retirement of property, plant and equipment	3,239	3,248	39,133
Loss (gain) on sales of noncurrent assets	(382)	(39,849)	(480,108)
Loss (gain) on sales of investment securities	(52)	(725)	(8,735)
Loss (gain) on valuation of investment securities	147	2,100	25,301
Increase (decrease) in provision for retirement benefits	30,168	(34,104)	(410,892)
Interest and dividends income	(2,204)	(2,757)	(33,217)
Interest expenses	10,303	9,689	116,735
Equity in (earnings) losses of affiliates	(3,796)	(3,605)	(43,434)
Decrease (increase) in notes and accounts receivable — trade	15,419	(7,095)	(85,482)
Decrease (increase) in inventories	19,740	8,181	98,566
Increase (decrease) in notes and accounts payable — trade	29,482	(52,523)	(632,807)
Increase (decrease) in accrued consumption taxes	5,106	(5,260)	(63,373)
Decrease (increase) in accounts receivable — other	(6,830)	24,227	291,892
Decrease (increase) in lease receivables and lease investment assets	(294)	(871)	(10,494)
Other, net	9,695	(9,071)	(109,289)
Subtotal	339,380	197,248	2,376,482
Interest and dividends income received	6,249	6,900	83,133
Interest expenses paid	(10,755)	(9,840)	(118,554)
Income taxes paid	(40,763)	(31,963)	(385,096)
Net cash provided by (used in) operating activities	294,110	162,345	1,955,964
Net cash provided by (used in) investment activities			
Payments into time deposits	(8,181)	(5,847)	(70,446)
Proceeds from withdrawal of time deposits	6,625	7,115	85,723
Purchase of investment securities	(13,462)	(21,737)	(261,892)
Proceeds from sales and redemption of securities	794	2,331	28,084
Purchase of property, plant and equipment	(136,511)	(137,624)	(1,658,120)
Purchase of intangible assets	(8,964)	(13,191)	(158,928)
Purchase of long-term prepaid expenses	(1,599)	(2,814)	(33,904)
Proceeds from sales of noncurrent assets	735	653	7,867
Payments of long-term loans receivable	(17,814)	(3,188)	(38,410)
Collection of long-term loans receivable	1,712	1,719	20,711
Other, net	(623)	277	3,337
Net cash provided by (used in) investment activities	(177,290)	(172,305)	(2,075,964)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	4,931	8,915	107,410
Increase (decrease) in commercial papers	—	15,000	180,723
Repayments of lease obligations	(640)	(659)	(7,940)
Proceeds from long-term loans payable	13,066	17,339	208,904
Repayment of long-term loans payable	(29,279)	(33,541)	(404,108)
Proceeds from issuance of bonds	30,000	40,000	481,928
Redemption of bonds	(60,200)	(20,000)	(240,964)
Proceeds from stock issuance to minority shareholders	758	—	—
Repayments to minority shareholders	(907)	—	—
Proceeds from sales of treasury stock	84	23	277
Purchase of treasury stock	(5,149)	(8,314)	(100,169)
Cash dividends paid	(21,695)	(25,524)	(307,518)
Cash dividends paid to minority shareholders	(345)	(451)	(5,434)
Net cash provided by (used in) financing activities	(69,375)	(7,212)	(86,892)
Effect of exchange rate change on cash and cash equivalents	1,064	(3,716)	(44,771)
Net increase (decrease) in cash and cash equivalents	48,509	(20,889)	(251,675)
Cash and cash equivalents at beginning of year	64,009	112,868	1,359,855
Increase in cash and cash equivalents from newly consolidated subsidiary	349	68	819
Cash and cash equivalents at end of year (Note 13)	¥ 112,868	¥ 92,048	$ 1,109,012

Accompanying notes are an integral part of these financial statements.

1. Basis of Presenting Consolidated Financial Statements

Tokyo Gas Co., Ltd. (the "Company") and its consolidated subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act (formerly, the Securities and Exchange Law) and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards. The Company, as a regulated company, also follows the Ordinance for Accounting of Gas Business for preparing such financial statements.

The accompanying consolidated financial statements were prepared in accordance with the above-mentioned principles, and a translation was prepared of these consolidated financial statements as filed with the appropriate Local Finance Bureau of the Ministry of Finance and as required by the Financial Instruments and Exchange Act. However, the financial statements, excluding the notes to consolidated financial statements, are not restructured. Furthermore, the information presented herein does not necessarily constitute all of the information included in the Japanese version of the consolidated financial statements filed as per the Financial Instruments and Exchange Act.

Equivalent U.S. dollar amounts are included for the convenience of readers outside Japan, and are converted at a rate of ¥83 per U.S. dollar, the prevailing exchange rate on March 31, 2011. These conversions should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

(1) Consolidation — The consolidated financial statements include the accounts of the Company and all of its significant subsidiaries. For the years ended March 31, 2011 and 2010, 63 and 61 subsidiaries, respectively, were consolidated. All significant inter-company transactions and account balances are eliminated in consolidation.

The following four companies were newly established and added to the scope of consolidation from the current fiscal year:

Ohgishima Power Co., Ltd.
Tokyo Gas QCLNG Pty Ltd.
Tokyo Gas Lifeval Sagamihara Co., Ltd.
Tokyo Gas Lifeval Minami-tama Co., Ltd.

In addition, TG Enterprise Co., Ltd. was removed from the scope of consolidation, owing to its absorption merger into the Company, and Capty Customer Service Co., Ltd. was also removed as a result of its liquidation.

The Company's major unconsolidated subsidiaries include TG e PRTEC Corporation.

Unconsolidated subsidiaries were not included in the scope of the consolidation because total assets, net sales, the amount of net income/loss equivalent to the portion of the Company's interests, and the amount of retained earnings, etc., equivalent to the portion of the Company's interests were small and lacking in qualitative significance, and therefore they do not have a significant impact on the consolidated financial statements.

(2) Equity method — Significant investments in unconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence with regard to operating and financial policies of the investees are accounted for by the equity method. For the years ended March 31, 2011 and 2010, 5 and 4 affiliated companies, respectively, were accounted for by the equity method. MT Falcon Holdings Company, S.A.P.I. de C.V. newly became an affiliated company accounted for by the equity method from the current fiscal year.

The unconsolidated subsidiaries and affiliates not accounted for by the equity method were excluded from the scope of application of equity methods, due to the immaterial effect of the Company's total interest on their net income/loss and retained earnings on the consolidated financial statements and were totally insignificant.

(3) Accounting period of consolidated subsidiaries — Although the Company's fiscal year ends on March 31, the following companies end their year on December 31:

TOKYO GAS AUSTRALIA PTY LTD
Tokyo Gas International Holdings B.V.
Tokyo Gas Bajio B.V.
Tokyo Gas Darwin LNG Pty Ltd
TOKYO GAS-MITSUI & CO. HOLDINGS SDN. BHD.
Tokyo Gas QCLNG Pty Ltd
Tokyo Gas Pluto Pty Ltd
Tokyo Gas Gorgon Pty Ltd
TGE (SHANGHAI) LNG ENGINEERING CO., LTD.

All significant adjustments considered necessary during the period from December 31 to the consolidated fiscal year-end have been made with consolidation.

(4) Property, plant and equipment — For property, plant and equipment, the acquisition cost is shown. However, in the case of acquisition expenses of the Company and its consolidated subsidiaries that have been subsidized by the national government, etc., the amount of such subsidiaries are offset against the acquisition cost of the corresponding asset (reduction entry).

Primarily, the declining-balance method of depreciation is applied, based on the estimated useful life of the asset. However, the straight-line method is applied for certain buildings (excluding ancillary equipment). Previously, the declining balance method was used for the depreciation of ships owned by consolidated subsidiary Tokyo LNG Tanker Co., Ltd., but from this fiscal year the straight-line method is being applied to more rationally reflect the relationship between revenue and expenses, because the long-term stable revenues achieved through freight contracts with shippers are expected to constitute a major part of the total revenues of Tokyo LNG Tanker Co., Ltd. from this fiscal year. As a result of this change, the cost of sales for this fiscal year was ¥2,954 million less than would have been the case under the previous method, and gross profit, operating income, ordinary income, and income before income taxes were greater by the same amount.

Accumulated depreciation on property, plant and equipment is deducted directly from the balances of the corresponding assets.

In the accompanying consolidated financial statements, accumulated depreciation on property, plant and equipment amounted to ¥3,141,760 million (US$37,852,530 thousand) and ¥3,028,281 million as of March 31, 2011 and 2010, respectively.

The total amount of impairment loss is directly deducted from the amount shown for the respective asset.

(5) Intangible assets — the straight-line method is applied. For software used by the Company and its consolidated subsidiaries, the straight-line method is applied based on the period of useful life within the Company and its consolidated subsidiaries.

(6) Accounting for certain lease transactions — Finance lease transactions that do not transfer ownership use the same accounting method as is applied for ordinary sales and purchase transactions.

When the Company is the lessee, those finance lease transactions that do not transfer ownership and commenced on or before March 31, 2008 are accounted for based on standards for ordinary rental transactions.

(7) Goodwill — Goodwill is amortized on a straight-line basis within 20 years (mainly 10 years), with the duration determined by the reasons for accrual.

(8) Cash and cash equivalents — Cash and cash equivalents include cash on hand, readily-available deposits and short-term highly-liquid investments with maturities not exceeding three months at the time of purchase, which are readily convertible to known amounts of cash such that they present insignificant risk of change.

(9) Securities — The Company and its consolidated subsidiaries classify their securities under the following three categories, in accordance with the Japanese Accounting Standard for Financial Instruments.

(a) Debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities") are stated at amortized cost.
(b) Equity securities issued by unconsolidated subsidiaries and affiliated companies that are not accounted for using the equity method are stated at moving-average cost.
(c) Other securities with fair value, which are defined as securities other than held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and securities held for trading purposes, are stated at fair value at the yearend, if their fair values are readily available. The difference between acquisition costs and book values of these securities are reported, net of applicable taxes, as a separate component of net assets. The cost of securities sold is determined based on the moving average method. Other securities with no fair values are stated at moving-average cost.

If the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and other securities declines significantly, and the decline is not considered recoverable, such securities are stated at fair value and the difference between fair value and the carrying amount is recognized as loss in the period of the decline.

(10) Financial instruments — The Company and its consolidated subsidiaries raise funds as necessary, reflecting their plans for facility investment in their mainstay gas business, and invest temporary surpluses in highly stable financial assets. The Company may procure funds through short-term bond issuance and other measures. The Company and its consolidated subsidiaries use derivative financial instruments to hedge the below-mentioned risks, but do not use derivative financial instruments for speculative trading purposes.

Trade notes and accounts receivable, which are operating receivables, are subject to credit risks of customers. A control system is in place to check periodically the outstanding balances for each transaction partner. Investment securities are subject to market price fluctuation risk, so the Company regularly monitors market prices and issuers' financial conditions. Certain borrowings bear floating rates of interest and are therefore subject to interest rate fluctuation risk. Derivative transactions (interest rate swaps) are used to hedge this risk on a portion of these borrowings.

The Company and its consolidated subsidiaries execute various derivative financial transactions to hedge risks of foreign exchange rate fluctuations, fluctuations in prices of raw materials, interest rate fluctuations and the effects of changes in temperature. The Company and its consolidated subsidiaries manage the credit risk inherent in such transactions by executing them with creditworthy financial institutions. Also, the use of derivative financial instruments is based on internal policies and procedures for risk control. For information on methods of accounting for derivative transactions, please refer to Note 2. (11) Derivatives.

(11) Derivatives — Derivatives are stated at fair value at the year-end. The Company and its consolidated subsidiaries apply hedge accounting, using the deferral hedge accounting, provided that all criteria are met for hedge accounting.

Regarding forward exchange contracts and foreign currency swap contracts that fulfilled certain conditions, the hedged foreign currencies receivable and payable are recorded using the Japanese yen amount of the contracted forward rate or swap rate (Designation method). Regarding interest rate swap contracts that fulfilled certain conditions, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the liabilities for which the swap contract was executed (Exceptional accounting).

(12) Inventories — Inventory values are based on the moving-average cost method. Balance sheet values are calculated using the book value reduction method based on declining profitability.

(13) Allowance for doubtful accounts — For normal receivables, an allowance for doubtful accounts is provided using the historical experienced default ratio. For specific

receivables such as bankruptcy/rehabilitation claims, an allowance for doubtful accounts is provided for the estimated amounts considered to be uncollectible after reviewing individual collectability.

(14) Provision for retirement benefits — The Company and its consolidated subsidiaries provide an unfunded lump-sum payment plan and a funded pension plan as retirement benefit schemes. The Company and certain consolidated subsidiaries provide defined benefit plans and defined contribution plans. Retirement benefits under these plans are determined based on the level of wages and salaries, length of service and certain other factors.

The Company and its consolidated subsidiaries determine benefit obligations and expenses for reserve for retirement benefits based on the amounts actuarially calculated using certain assumptions.

Provision for retirement benefits is provided based on the estimated amounts of projected benefit obligations and the fair value of the plan assets.

The estimated amount of all retirement benefits to be paid at the future retirement date is assumed as generating equally to each service year using the estimated number of total service years. Prior service costs are mainly charged to income when incurred, and actuarial gains and losses are charged to income mainly in the fiscal year following the year in which they arise.

(15) Provision for gas holder repairs — The Company and certain consolidated subsidiaries provide for periodic repairs of gas holders by estimating future expenditures and charging them to income in equal annual amounts. The difference between the actual expenditure and the amount provided is charged to income in the year repairs are completed.

(16) Translation of financial statements denominated in foreign currency — The Company's receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates, and foreign exchange gains or losses are charged to current income/expense. Assets and liabilities of the foreign subsidiaries are translated into Japanese yen at the exchange rates prevailing at their year-end date. Profit and loss accounts for the year are translated into Japanese yen at the exchange rates prevailing at their year-end date as well. Differences in yen amounts arising from the use of different rates are presented as "Foreign currency translation adjustment" and "Minority interests" in net assets.

(17) Adoption of accounting standards for asset retirement obligations — Effective from the year ended March 31, 2011, the Company and its consolidated domestic subsidiaries have adopted the "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No.18; March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No.21; March 31, 2008). The asset retirement obligation in question is mainly the obligation to restore the land to pre-contract status in connection with the real estate rental contract of the land for power generation facilities. The amount of such obligation is calculated using a discount rate of 2.3%, based on the assumption that the land will be used for 30 years from the acquisition date. The impact of this change on profit and loss was negligible.

(18) Income taxes — Income taxes comprise corporation tax, inhabitants' taxes and enterprise tax (excluding enterprise taxes based on "amount of net sales," "amount of added value" and "amount of capital"). The Company and its consolidated subsidiaries recognize tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The Company and its consolidated subsidiaries do not recognize deferred tax assets that are not expected to reduce future income taxes.

(19) Enterprise tax — In the case of companies engaged in gas businesses, enterprise tax that is levied, not on taxable income but on net sales, is accounted for in "Selling, general and administrative expenses." Enterprise taxes based on "amount of added value" and "amount of capital" are also included in "Selling, general and administrative expenses."

In the accompanying consolidated statements of income, enterprise tax included in "Selling, general and administrative expenses" amounted to ¥15,613 million (US$188,108 thousand) and ¥14,539 million for the years ended March 31, 2011 and 2010, respectively.

(20) Research and development expenses — Research and development expenses are charged to income as incurred. In the accompanying consolidated statements of income, research and development expenses included in "Selling, general and administrative expenses" and "Cost of sales" amounted to ¥9,913 million (US$119,434 thousand) and ¥9,232 million for the years ended March 31, 2011 and 2010, respectively.

(21) Amounts per share of common stock — Basic net income per share is computed based on the net income available for distribution to common shareholders and the weighted-average number of common shares outstanding for the period. Diluted net income per share is omitted because the Company does not have any residual securities.

Cash dividends per share have been presented on an accrual basis and include dividends approved or to be approved after the balance sheet dates, but they are applicable to the year then ended.

(22) Comprehensive Income — Effective from the year ended March 31, 2011, the Company and its consolidated subsidiaries have adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25; June 30, 2010). The amounts corresponding to "Valuation and translation adjustments" and "Total valuation and translation adjustments" in the previous term are shown as "Accumulated other comprehensive income" and "Total accumulated other comprehensive income."

(23) Reclassifications — Certain prior year amounts have been reclassified to conform to the fiscal year ended March 31, 2011 presentation. These changes had no impact on previously reported results of operations.

3. Pledged Assets

Pledged assets at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Distribution facilities	¥ 6,535	¥ —	$ —
Service and maintenance facilities	13	—	—
Other facilities	10,370	8,319	100,229
Investment securities	350	13,198	159,012
Long-term loans receivable	35	2,824	34,024
Cash and deposits	1,760	1,487	17,916
Other current assets	5	5	60
	¥ 19,071	¥ 25,835	$ 311,265

Liabilities secured by the above assets at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Long-term loans payable (including current portion of noncurrent liabilities)	¥ 8,071	¥ 6,616	$ 79,711
Other current liabilities	56	54	651
	¥ 8,127	¥ 6,670	$ 80,361

4. Extraordinary Income and Losses

In the fiscal year ended March 31, 2011, the Company and its consolidated subsidiaries recorded extraordinary income of ¥39,927 million (US$481,048 thousand) mainly due to gains from the transfer of land resulting from the sale of real estate, and disaster-related extraordinary losses of ¥3,268 million (US$39,373 thousand) associated with damage from the Great East Japan Earthquake.

5. Financial Instruments

Book values and fair values of the financial instruments as of March 31, 2011 and 2010 were as follows:

	Millions of yen		
At March 31, 2011	Book value	Fair value	Difference
(1) Bonds payable	¥341,492	¥352,811	¥ (11,318)
(2) Long-term loans payable	206,928	211,075	(4,147)

	Millions of yen		
At March 31, 2010	Book value	Fair value	Difference
(1) Bonds payable	¥321,491	¥336,354	¥ (14,862)
(2) Long-term loans payable	220,060	224,155	(4,094)

	Thousands of U.S. dollars		
At March 31, 2011	Book value	Fair value	Difference
(1) Bonds payable	$4,114,361	$4,250,735	$(136,361)
(2) Long-term loans payable	2,493,108	2,543,072	(49,964)

Note: including items due within one year

Method of calculating the fair value of financial instruments, and items related to securities and derivative transactions

(1) Bonds payable — the fair value is calculated by discounting to their present value the total amount of principal and interest on bonds issued by the Company and consolidated subsidiaries by an interest rate that takes into account the period remaining and credit risk.

(2) Long-term loans payable — the fair value is calculated by discounting to their present value the total amount of principal and interest by the assumed interest rate on new borrowings of the same type.

The items of which estimated fair value was deemed to be extremely difficult are not included in the above table. Also, the items described below are not included in the above table.

As notes and accounts receivable-trade (with a book value of ¥160,128 million (US$1,929,253 thousand)) are settled within a short time, their fair values and book values are nearly identical. For information about investment securities (with a book value of ¥62,566 million (US$753,807 thousand)) and derivative transactions (with a book value of ¥175 million (US$2,108 thousand) (receivables)), please refer to Note 6. Securities and Note 8. Derivative Transactions, respectively. Most financial receivables and securities with maturities are redeemed in a short period (within one year).

The maturity amounts of bonds payable, long-term loans payable and other interest-bearing debt maturating after the balance sheet date are indicated in Note 7. Short-Term Loans Payable, Bonds Payable and Long-Term Loans Payable.

6. Securities

Acquisition costs, book values and fair values of securities with available fair values at March 31, 2011 and 2010 were as follows:

(A) Held-to-maturity debt securities

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Securities with fair value exceeding book value:			
Book value	¥ 45	¥ 40	$ 482
Fair value	46	41	494
Difference	¥ 1	¥ 1	$ 12

(B) Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Securities with book value exceeding acquisition cost:			
Acquisition cost	¥23,571	**¥12,478**	**$150,337**
Book value	57,438	**38,154**	**459,687**
Difference	¥33,867	**¥25,675**	**$309,337**

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Securities with book value not exceeding acquisition cost:			
Acquisition cost	¥12,218	**¥26,669**	**$321,313**
Book value	11,939	**24,372**	**293,639**
Difference	¥ (278)	**¥ (2,296)**	**$ (27,663)**

Available-for-sale securities not included in the above table amounted to ¥34,416 million (US$414,651 thousand) and ¥35,368 million at March 31, 2011 and 2010, respectively. Investments in unconsolidated subsidiaries and affiliated companies amounted to ¥45,478 million (US$547,928 thousand) and ¥44,267 million for the years ended March 31, 2011 and 2010, respectively. These items do not have market value and determining their estimated fair value was deemed to be extremely difficult and therefore, they are not included in the above table.

7. Short-Term Loans Payable, Bonds Payable and Long-Term Loans Payable

The average annual interest rates for short-term loans payable at March 31, 2011 and 2010 were 0.3% and 0.6%, respectively.

Bonds payable and long-term loans payable at March 31, 2011 and 2010 were as follows:

		Millions of yen		Thousands of U.S. dollars
		2010	2011	2011
Domestic unsecured bonds	Due in 2016 at a rate of 4.0%	¥ 27,700	**¥ 27,700**	**$ 333,735**
	Due in 2018 at a rate of 2.625%	40,000	**40,000**	**481,928**
	Due in 2010 at a rate of 2.01%	20,000	**—**	**—**
	Due in 2011 at a rate of 1.39%	30,000	**30,000**	**361,446**
	Due in 2012 at a rate of 1.35%	20,000	**20,000**	**240,964**
	Due in 2023 at a rate of 1.01%	20,000	**20,000**	**240,964**
	Due in 2013 at a rate of 1.41%	30,000	**30,000**	**361,446**
	Due in 2014 at a rate of 1.59%	20,000	**20,000**	**240,964**
	Due in 2024 at a rate of 2.29%	10,000	**10,000**	**120,482**
	Due in 2025 at a rate of 2.14%	10,000	**10,000**	**120,482**
	Due in 2015 at a rate of 4.1%	13,800	**13,800**	**166,265**
	Due in 2027 at a rate of 2.29%	19,996	**19,996**	**240,916**
	Due in 2015 at a rate of 1.4%	9,995	**9,995**	**120,422**
	Due in 2015 at a rate of 1.658%	20,000	**20,000**	**240,964**
	Due in 2019 at a rate of 1.405%	30,000	**30,000**	**361,446**
	Due in 2040 at a rate of 2.135%	—	**20,000**	**240,964**
	Due in 2020 at a rate of 1.203%	—	**20,000**	**240,964**
Loans from banks, insurance companies and government agencies at rates of 0.43% to 5.28%:				
Secured		8,071	**6,616**	**79,711**
Unsecured		211,989	**200,311**	**2,413,386**
		541,552	**548,420**	**6,607,470**
Less: amounts due within one year		53,379	**48,688**	**586,602**
		¥488,173	**¥499,732**	**$ 6,020,867**

The annual maturities of bonds payable and long-term loans payable at March 31, 2011 were as follows:

	Millions of yen	Thousands of U.S. dollars
2012	¥ 48,688	$ 586,602
2013	43,397	522,855
2014	45,631	549,771
2015	47,453	571,723
2016	53,486	644,410
2017 and thereafter	309,762	3,732,072
	¥548,420	$ 6,607,470

Note: The Company has a specific commitment line contract with the main correspondent financial institution of ¥30,000 million (US$361,446 thousand) in total.

8. Derivative Transactions

Contract amounts, fair values and recognized gains on interest rate swaps and the commodity derivatives not accounted for using hedge accounting and weather derivatives at March 31, 2011 and 2010 were as follows:

	Millions of yen			
	Contract amounts			
At March 31, 2011	Total	Of which, longer than one year	Fair value	Recognized gains (losses)
Interest rate swaps	**¥23,208**	**¥23,208**	**¥ (1,352)**	**¥ (1,352)**
Weather derivatives	**300**	**—**	**—**	**—**
	¥23,508	**¥23,208**	**¥ (1,352)**	**¥ (1,352)**

	Thousands of U.S. dollars			
	Contract amounts			
At March 31, 2011	Total	Of which, longer than one year	Fair value	Recognized gains (losses)
Interest rate swaps	**$ 279,614**	**$ 279,614**	**$ (16,289)**	**$ (16,289)**
Weather derivatives	**3,614**	**—**	**—**	**—**
	$ 283,229	**$ 279,614**	**$ (16,289)**	**$ (16,289)**

	Millions of yen			
	Contract amounts			
At March 31, 2010	Total	Of which, longer than one year	Fair value	Recognized gains (losses)
Commodity derivatives	¥ 4,438	¥ —	¥745	¥745
Weather derivatives	600	—	—	—
	¥ 5,038	¥ —	¥745	¥745

The table below indicates hedge accounting methods, main items hedged, contract amounts and fair values as of March 31, 2011 and 2010, on derivatives transactions to which hedge accounting is applied.

At March 31, 2011

			Millions of yen		
			Contract amounts		
Hedge accounting method	Type of contracts	Main items hedged	Total	Of which, longer than one year	Fair value
Currency related					
Deferral hedge accounting	Forward foreign exchange contracts	Accounts payable-trade	**¥ 921**	**¥ 831**	**¥ (135)**
Deferral hedge accounting	Foreign currency swap contracts	Accounts payable-trade	**1,026**	**—**	**—**
Designation method for forward foreign exchange contracts, others	Forward foreign exchange contracts	Accounts payable-trade	**10,715**	**—**	(Note 2)
			¥ 12,664	**¥ 831**	**¥ —**
Commodity related					
Deferral hedge accounting	Price swap contracts	Accounts payable-trade	**¥ 13,996**	**¥ —**	**¥ 246**
			¥ 13,996	**¥ —**	**¥ 246**
Interest related					
Deferral hedge accounting	Interest rate swap contracts	Bonds and long-term loans payable	**¥ 25,441**	**¥ 25,441**	**¥ 1,432**
Exceptional accounting	Interest rate swap contracts	Long-term loans payable	**8,414**	**414**	(Note 2)
			¥ 33,856	**¥ 25,856**	**¥ —**

At March 31, 2010

Hedge accounting method	Type of contracts	Main items hedged	Contract amounts (Millions of yen) Total	Of which, longer than one year	Fair value
Currency related					
Deferral hedge accounting	Forward foreign exchange contracts	Accounts payable-trade	¥ 1,007	¥ 921	¥ (67)
Designation method for forward foreign exchange contracts, others	Forward foreign exchange contracts	Accounts payable-trade	15,790	—	(Note 2)
			¥ 16,798	¥ 921	¥ —
Commodity related					
Deferral hedge accounting	Price swap contracts	Accounts payable-trade	¥ 23,643	¥ —	¥ 1,651
			¥ 23,643	¥ —	¥ 1,651
Interest related					
Deferral hedge accounting	Interest rate swap contracts	Bonds and long-term loans payable	¥ 10,512	¥ 10,512	¥ 959
Exceptional accounting	Interest rate swap contracts	Long-term loans payable	10,472	8,414	(Note 2)
			¥ 20,984	¥ 18,926	¥ —

At March 31, 2011

Hedge accounting method	Type of contracts	Main items hedged	Contract amounts (Thousands of U.S. dollars) Total	Of which, longer than one year	Fair value
Currency related					
Deferral hedge accounting	Forward foreign exchange contracts	Accounts payable-trade	**$ 11,096**	**$ 10,012**	**$ (1,627)**
Deferral hedge accounting	Foreign currency swap contracts	Accounts payable-trade	**12,361**	**—**	**—**
Designation method for forward foreign exchange contracts, others	Forward foreign exchange contracts	Accounts payable-trade	**129,096**	**—**	(Note 2)
			$ 152,578	**$ 10,012**	**$ —**
Commodity related					
Deferral hedge accounting	Price swap contracts	Accounts payable-trade	**$ 168,627**	**$ —**	**$ 2,964**
			$ 168,627	**$ —**	**$ 2,964**
Interest related					
Deferral hedge accounting	Interest rate swap contracts	Bonds and long-term loans payable	**$ 306,518**	**$ 306,518**	**$ 17,253**
Exceptional accounting	Interest rate swap contracts	Long-term loans payable	**101,373**	**4,988**	(Note 2)
			$ 407,904	**$ 311,518**	**$ —**

Note1: Fair values of exchange forward contracts, commodity derivatives and interest rate swaps are calculated at the rates indicated by the financial institutions handling these transactions for the Company. Contract amounts of commodity derivatives are solely nominal values, and are not indicative of the magnitude of market risk or credit risk concerning derivatives transactions. Contract amounts of weather derivatives are stated at the maximum receivable or payable amounts under the contracts. Fair values of weather derivatives are not stated, as their fair values cannot be calculated.

Note2: The accounting for exchange forward contracts employing designation method and interest rate swaps employing exceptional accounting are included in the fair values of the hedged items (accounts payable-trade and long-term loans payable).

9. Provision for Retirement Benefits

Provision for retirement benefits included in the liabilities section of the consolidated balance sheets as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Projected benefit obligation	¥ 340,792	¥ 343,085	$4,133,554
Unrecognized prior service costs	1,723	1,531	18,446
Unrecognized actuarial differences	16,832	(5,847)	(70,446)
Less: Fair value of pension assets	(228,447)	(241,898)	(2,914,434)
Provision for retirement benefits	¥ 130,903	¥ 96,870	$1,167,108

Net periodic retirement benefit expenses for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Service costs — benefits earned during the year	¥ 9,199	¥ 8,634	$ 104,024
Interest cost on projected benefit obligation	6,405	7,045	84,880
Expected return on plan assets	(4,359)	(4,555)	(54,880)
Amortization of actuarial differences	32,284	(19,599)	(236,133)
Amortization of prior service costs	(192)	(192)	(2,313)
Other	4,313	4,105	49,458
Net periodic retirement benefit expenses	¥ 47,651	¥ (4,561)	$ (54,952)

The discount rate and the rate of expected return on plan assets used by the Company and its consolidated subsidiaries are mainly 2.0% and 2.0% for the year ended March 31, 2011, and 2.1% and 2.0% for the year ended March 31, 2010.

10. Income Taxes

The Company is subject to multiple taxes based on taxable income, which, in the aggregate, indicate a statutory effective tax rate in the Company of approximately 36.2% for the years ended March 31, 2011 and 2010.

	2011
Statutory effective tax rate	36.2%
(Adjustments)	
Valuation allowance	1.5
Other	0.5
Actual effective tax rate after the adoption of tax-effect accounting	38.2

Note is omitted for the year ended March 31, 2010, as the difference between the statutory effective tax rate and the actual effective tax rate after the adoption of tax-effect accounting is less than 5% of the statutory effective tax rate.

Significant components of deferred tax assets and liabilities as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Deferred tax assets:			
Provision for retirement benefits	¥ 47,778	¥ 35,440	$ 426,988
Other	50,889	51,979	626,253
Less:			
Valuation allowance	(8,469)	(10,653)	(128,349)
Subtotal	90,198	76,766	924,892
Deferred tax liabilities:			
Reserve for advanced depreciation of noncurrent assets	—	16,249	195,771
Valuation difference on available-for-sale securities	11,748	—	—
Other	13,213	23,143	278,831
Subtotal	24,961	39,393	474,614
Deferred tax assets-net	¥ 65,236	¥ 37,373	$ 450,277

11. Investment and Rental Properties

Book values and the fair values of investment and rental properties owned by the Company and some of its consolidated subsidiaries are indicated below. Book value is determined by subtracting accumulated depreciation from the acquisition cost. Fair values as of March 31, 2011 and 2010 are based primarily on the real estate appraisal value determined by a real estate appraiser.

Millions of yen

Book value			Fair value as of March 31, 2011
2010	Change during the year	2011	
¥ 94,233	¥ (8,680)	¥ 85,553	¥ 326,869

Millions of yen

Book value			Fair value as of March 31, 2010
2009	Change during the year	2010	
¥ 98,150	¥ (3,916)	¥ 94,223	¥ 378,103

Thousands of U.S. dollars

Book value			Fair value as of March 31, 2011
2010	Change during the year	2011	
$1,135,337	$(104,578)	$1,030,759	$3,938,181

12. Net Assets

(A) Distribution to shareholders

Under the Japanese Companies Act ("the Act"), dividends can be paid at any time during the fiscal year in addition to the year-end dividend upon resolution at a shareholders' meeting. Interim dividends may also be paid upon a resolution of the Board of Directors provided that the articles of incorporation of the company so stipulate, and that the company meets certain criteria.

The Act provides certain limitations on the amounts available for dividends and/or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, and it is calculated mainly based on other capital surplus, other retained earnings and treasury stock. Under the Act, the balance of net assets after distribution of dividends must amount to no less than ¥3 million.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the general meeting of shareholders held on June 29, 2011, the Company's shareholders approved payment of year-end cash dividends of ¥4.5 (US$0.05) per share aggregating ¥12,052 million (US$145,205 thousand) to the shareholders of record as of March 31, 2011.

Such appropriations have not been accrued in the consolidated financial statements for the year ended March 31, 2011. Such appropriations are recognized in the period in which they are approved by the shareholders.

(B) Increases/decreases and transfer of capital stock, reserve and surplus

Under the Act, the entire amount paid for new shares is required to be designated as capital stock. However, a company may, through a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as legal capital surplus, which is included in capital surplus.

Under the Act, in cases in which a dividend from surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of legal capital surplus and legal retained earnings must be set aside as legal capital surplus or legal retained earnings. Legal retained earnings are included in retained earnings in the accompanying consolidated balance sheets.

Under the Act, legal retained earnings and legal capital surplus could be used to eliminate or reduce a deficit, or could be capitalized generally by a resolution of the shareholders' meeting.

Legal capital surplus and legal retained earnings may not be distributed as dividends. Under the Act, however, all legal capital surplus and all legal retained earnings may be transferred to other capital surplus and other retained earnings, respectively, which are potentially available for dividends.

(C) Treasury stock

The Act provides for companies to purchase treasury stock and dispose of such treasury stock by a resolution of the Directors' meetings. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

13. Additional Information for Cash Flows

Reconciliation of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Cash and deposits	¥ 107,391	**¥ 90,302**	**$ 1,087,976**
Less: Time deposits with maturities over three months, etc.	(4,522)	**(3,254)**	**(39,205)**
Negotiable certificates of deposit included in other current assets	10,000	**5,000**	**60,241**
Cash and cash equivalents	¥ 112,868	**¥ 92,048**	**$ 1,109,012**

14. Segment Information

Effective from the year ended March 31, 2011, the Company and its consolidated subsidiaries have adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17; March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20; March 21, 2008). The Group's reported segments are regularly reviewed by the Board of Directors using the segregated financial information available within each segment to determine the allocation of management resources and evaluate business results.

The Group uses the four reported segments of (1) city gas sales, (2) gas appliances and installation work, (3) other energies, and (4) real estate.

The same accounting method which is applied to the consolidated financial statements is applied to segment accounting. Income of a reported segment is calculated based on operating income. Intersegment sales and transfers are attributable to transactions within group companies, and are calculated based on the market value.

The amount of net sales, income and loss, assets, and other items by reported segment is as follows:

For 2011	Millions of yen						
	City gas sales	Gas appliances and installation work	Other energies	Real estate	Other	Adjustments	Consolidated
Net sales:							
External sales	**¥1,077,221**	**¥ 164,814**	**¥ 208,329**	**¥ 11,715**	**¥ 73,161**	**¥ —**	**¥1,535,242**
Intersegment sales & transfers	**59,856**	**12,658**	**12,962**	**21,081**	**89,140**	**(195,699)**	**—**
Total	**1,137,077**	**177,472**	**221,292**	**32,797**	**162,302**	**(195,699)**	**1,535,242**
Segment income	**¥ 136,181**	**¥ 1,872**	**¥ 11,166**	**¥ 5,713**	**¥ 9,907**	**¥ (42,389)**	**¥ 122,451**
Segment assets	**¥ 981,747**	**¥ 57,125**	**¥ 163,400**	**¥ 196,567**	**¥ 161,588**	**¥ 269,232**	**¥1,829,661**
Depreciation expenses	**114,435**	**1,048**	**16,454**	**8,716**	**7,167**	**(2,432)**	**145,389**
Increase in property, plant, equipment, and intangible assets	**105,880**	**1,111**	**21,054**	**2,940**	**19,485**	**(3,084)**	**147,388**

For 2010	Millions of yen						
	City gas sales	Gas appliances and installation work	Other energies	Real estate	Other	Adjustments	Consolidated
Net sales:							
External sales	¥1,017,692	¥ 160,150	¥ 151,524	¥ 11,472	¥ 74,878	¥ —	¥1,415,718
Intersegment sales & transfers	28,473	9,633	5,772	21,312	86,812	(152,004)	—
Total	1,046,166	169,784	157,297	32,784	161,690	(152,004)	1,415,718
Segment income	¥ 115,539	¥ 2,184	¥ 6,874	¥ 6,732	¥ 6,497	¥ (52,598)	¥ 85,229
Segment assets	¥1,009,021	¥ 63,458	¥ 111,913	¥ 163,523	¥ 162,471	¥ 330,584	¥1,840,972
Depreciation expenses	113,217	947	9,846	9,136	11,208	(2,246)	142,110
Increase in property, plant, equipment, and intangible assets	113,697	774	6,110	3,019	25,697	(2,712)	146,586

The amounts by segment have been reclassified to conform to the newly adopted segment classification from the year ended March 31, 2011.

For 2011	Thousands of U.S. dollars						
	City gas sales	Gas appliances and installation work	Other energies	Real estate	Other	Adjustments	Consolidated
Net sales:							
External sales	$12,978,566	$ 1,985,711	$ 2,509,988	$ 141,145	$ 881,458	$ —	$18,496,892
Intersegment sales & transfers	721,157	152,506	156,169	253,988	1,073,976	(2,357,819)	—
Total	13,699,723	2,138,217	2,666,169	395,145	1,955,446	(2,357,819)	18,496,892
Segment income	$ 1,640,735	$ 22,554	$ 134,530	$ 68,831	$ 119,361	$ (510,711)	$ 1,475,313
Segment assets	$11,828,277	$ 688,253	$ 1,968,675	$ 2,368,277	$ 1,946,843	$ 3,243,759	$22,044,108
Depreciation expenses	1,378,735	12,627	198,241	105,012	86,349	(29,301)	1,751,675
Increase in property, plant, equipment, and intangible assets	1,275,663	13,386	253,663	35,422	234,759	(37,157)	1,775,759

Segment income adjustments for the years ended March 31, 2011 and 2010 are –¥42,389 million (–$510,711 thousand) and –¥52,598 million respectively. The segment income adjustment includes corporate expenses not allocated to the respective reported segments. Corporate expenses are primarily general and administrative expenses that are not assignable to a reported segment.

Segment asset adjustments for the years ended March 31, 2011 and 2010 are ¥269,232 million ($3,243,759 thousand) and ¥330,584 million respectively. The segment asset adjustment includes corporate assets not allocated to the respective reported segments. Corporate assets are primarily financial assets that are not assignable to a reported segment.

Segment income is adjusted to reflect operating income as recorded on the Consolidated Statements of Income.

15. Information for Certain Leases

Finance leases

Information as lessee

The Company and its consolidated subsidiaries use certain other facilities and other intangible assets under lease contracts. Finance lease transactions that do not transfer ownership and commenced on or before March 31, 2008 are accounted for based on standards for ordinary rental transactions.

Lease payments and amounts equivalent to depreciation for the finance lease transactions shown above that do not transfer ownership for the years ended March 31, 2011 and 2010, and future lease payments including interest as of March 31, 2011 and 2010, are shown below.

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Lease payments	¥ 441	**¥ 422**	**$ 5,084**
Depreciation expenses	441	**422**	**5,084**
Future lease payments inclusive of interest:			
Within 1 year	421	**380**	**4,578**
Over 1 year	2,157	**1,776**	**21,398**
	¥ 2,578	**¥ 2,157**	**$ 25,988**

Acquisition cost, accumulated depreciation and net book value for property held under the above-mentioned finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis as of March 31, 2011 and 2010 were as follows:

	Millions of yen		
For 2011	Acquisition cost	Accumulated depreciation	Net book value
Other facilities	**¥ 3,955**	**¥ 1,805**	**¥ 2,150**
Other intangible assets	**58**	**51**	**7**
	¥ 4,014	**¥ 1,856**	**¥ 2,157**
For 2010			
Other facilities	¥ 4,080	¥ 1,534	¥ 2,546
Other intangible assets	163	131	32
	¥ 4,244	¥ 1,665	¥ 2,578

	Thousands of U.S. dollars		
For 2011	Acquisition cost	Accumulated depreciation	Net book value
Other facilities	**$47,651**	**$21,747**	**$25,904**
Other intangible assets	**699**	**614**	**84**
	$48,361	**$22,361**	**$25,988**

Information as lessor

The breakdown of lease investment assets as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Claims for lease fees	¥21,797	¥23,433	$282,325
Estimated residual value	116	131	1,578
Equivalent interest received	(3,545)	(3,877)	(46,711)
	¥18,368	¥19,686	$237,181

Scheduled recovery amounts of claims for lease fees related to lease receivables and investment assets as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Lease receivables			
Within 1 year	¥ 1,177	¥ 1,243	$ 14,976
More than 1 year but within 2 years	1,178	1,206	14,530
More than 2 years but within 3 years	1,134	1,093	13,169
More than 3 years but within 4 years	1,029	1,020	12,289
More than 4 years but within 5 years	959	953	11,482
More than 5 years	3,007	2,396	28,867

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Lease investment assets			
Within 1 year	¥ 4,933	¥ 5,137	$ 61,892
More than 1 year but within 2 years	4,246	4,481	53,988
More than 2 years but within 3 years	3,568	3,814	45,952
More than 3 years but within 4 years	2,882	3,167	38,157
More than 4 years but within 5 years	2,266	2,472	29,783
More than 5 years	3,899	4,360	52,530

Operating leases

Information as lessee

Future lease payments under noncancelable operating leases as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Future lease payments:			
Within 1 year	¥ 238	¥ 326	$ 3,928
Over 1 year	720	864	10,410
	¥ 959	¥ 1,190	$ 14,337

Information as lessor

Future lease payments under noncancelable operating leases as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Future lease payments:			
Within 1 year	¥ 1,622	¥ 1,611	$ 19,410
Over 1 year	10,380	9,426	113,566
	¥12,003	¥11,037	$132,976

16. Commitment and Contingent Liabilities

At March 31, 2011, the Company and its consolidated subsidiaries were contingently liable for (1) debt guarantees in the amount of ¥13,148 million (US$158,410 thousand) for financial institution loans to companies other than consolidated subsidiaries and (2) ¥38,700 million (US$466,265 thousand) as guarantors for domestic unsecured bonds issued by the Company, and assigned to certain banks under debt assumption agreements made in the years ended March 31, 2002, 2003 and 2004.

17. Subsequent Events

(1) Resolution on acquisition of treasury stock

At a meeting on April 28, 2011, the Board of Directors resolved for the Company to acquire treasury stock, as follows.

No. of shares to be acquired: Limited to 110 million shares

Total value of shares to be acquired:
Limited to ¥34,000 million (US$409,639 thousand)

Period of acquisition:
From May 2, 2011 to March 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Tokyo Gas Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Tokyo Gas Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, consolidated statements of comprehensive income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tokyo Gas Co., Ltd. and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan
June 29, 2011